

OUTGOING MESSAGE

COMINT

Approved For Release 2000/09/14 : CIA-RDP78S01932A000100200063-7

SIGNAL CENTER USE ONLY

CHANNELS

AGE	COI	ACC	TOG	TPE	MRO	TRI	PAGE	OF	PAGES
SCM	0	0	0	0	0	0			
CLASSIFICATION									
SECRET NFD/NDA/CD									
MESSAGE HANDLING INDICATOR			DATE-TIME GROUP			CITE		MESSAGE REFERENCE NUMBER	

CIA/DCI /WHIZWH 74 0123

CIA/WHSS

SOURCE REF:

SENSITIVE

ROUTING	1	4	7	10
	2	5	8	11
	3	6	9	12

TO: IMMEDIATE WHITE HOUSE//SITUATION ROOM FOR [REDACTED] 25X1A

WARNING NOTICE SENSITIVE INTELLIGENCE SOURCES AND METHODS INVOLVED

ITEM NO: WH-6

DATE: 23 JAN 74

SUBJECT: USSR STIFFENS TERMS FOR AID TO EGYPT

REF : [REDACTED] SECRET NFD/NDA/CD 25X1A

THE SOVIETS HAVE REPORTEDLY REFUSED TO FURTHER DEFER EGYPTIAN MILITARY DEBT REPAYMENT OR TO EXTEND NEW MILITARY CREDITS. THIS

25X1A

[REDACTED] THE USSR WAS RELUCTANT TO EXTEND NEW CREDIT DURING

25X1A THE OCTOBER WAR AND ATTEMPTED, THEN, TO EXACT SOME REPAYMENT OF OLD DEBTS. SUCH A MOVE NOW WOULD BE A LOGICAL OUTGROWTH OF EGYPT'S IMPROVED FINANCIAL POSITION, THEIR PAST POOR REPAYMENT PERFORMANCE, AND THEIR COOL ATTITUDE TOWARD THE SOVIETS.

4 THERE IS CONSIDERABLE EVIDENCE THAT THE EGYPTIANS ASSIGN EVERY LOW PRIORITY TO REPAYMENT OF THEIR MILITARY DEBTS TO THE USSR. DURING THE INTERWAR PERIOD THEY REPAID SOVIET ECONOMIC DEVELOPMENT LOANS REGULARLY, AND SPONTANEOUSLY MET REPAYMENT

DATE:
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OBIGATIONS IN THE WEST. THERE IS NO EVIDENCE, HOWEVER, THAT ANY OF THE MILITARY DEBT ACCUMULATED IN CONNECTION WITH THE 1967 WAR WAS REPAYED. DEBT NEGOTIATIONS UNDERTAKEN IN 1973 ARE BELIEVED TO HAVE DELAYED TO 1974 MILITARY REPAYMENTS ON SOME \$1 BILLION OF MILITARY DEBT INCURRED AFTER 1964.

IN 1972 EGYPT SHARPLY REDUCED THE QUANTITIES OF COTTON AND OTHER GOODS SUPPLIED AGAINST THE SOVIET ACCOUNT, INCREASING THEIR CURRENT DEFICIT AND FURTHER POSTPONING THE DATE WHEN A SURPLUS WOULD BE AVAILABLE FOR MILITARY DEBT REPAYMENT. 25X1X

SOVIET OFFICIALS

WERE COMPLAINING IN MID-DECEMBER 1973 THAT EGYPT HAD SUPPLIED NO MORE THAN ONE-THIRD OF THE GOODS SCHEDULED FOR SHIPMENT TO THE USSR IN 1973. THE MISSING GOODS EVIDENTLY HAVE BEEN DIVERTED TO THE WEST, AN ACTION DIFFICULT TO JUSTIFY EVEN DURING THE IMMEDIATE PRE-WAR PERIOD WHEN EGYPT WAS EXPERIENCING EXCEPTIONALLY STRAITENED CIRCUMSTANCES. NOW, WITH EGYPT'S FINANCES BOLSTERED BY ARAB AID AND ITS ECONOMIC PROSPECTS GREATLY ENHANCED BY PROGRESS TOWARDS PEACE, ANY ATTEMPT TO AVOID MEETING FINANCIAL

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OBLIGATIONS TO THE USSR SUGGESTS DELIBERATE BAD FAITH. ACCORDING TO ONE REPORT [REDACTED] HAS VOICED THE FEAR THAT THE USSR WILL BE COMPLETELY "KICKED OUT" IF A FIRM SETTLEMENT OCCURS. 25X1X

UNDER THE CIRCUMSTANCES, THE SOVIET UNION WOULD PROBABLY EXPECT TO OBTAIN HARD CURRENCY FOR NEWLY ORDERED ARMS. SOME OF THE MILITARY GOODS ORDERED FROM THE USSR DURING THE OCTOBER WAR WERE PAID FOR IN CASH BY OTHER ARABS. E-2 IMPDET.

SPECIAL DISTRIBUTION: EUR/MEA DIV AND MIO [REDACTED]

25X1A

DATE: 02 110 70 25X1A
 ORIG: [REDACTED] AMSC
 UNIT: CIA OPERATIONS CTR
 EXT: 0300

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